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**FISCAL IMPACT STATEMENT**

**LS 6230**

**BILL NUMBER:** SB 162

**NOTE PREPARED:** Nov 23, 2014

**BILL AMENDED:**

**SUBJECT:** Economic Development Incentive Accountability.

**FIRST AUTHOR:** Sen. Mrvan

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill adds various job and employee definitions to the Indiana Economic Development Corporation (IEDC) laws.

It requires that all records related to taxpayer-funded economic development incentives must be disclosed under the Open Records Law. It requires that the IEDC's Annual Job Creation Incentives and Compliance Report must be published on the Indiana transparency portal Internet web site.

The bill requires the IEDC and the Department of State Revenue (DOR) to compile information on all job creation incentives granted, including the total amount of uncollected or diverted state tax revenues resulting from each incentive, and requires that this information must be included as part of the IEDC's annual Job Creation Incentives and Compliance Report.

The bill requires the IEDC to recapture job creation incentives from a recipient that: (1) fails to make the level of capital investment; (2) fails to create or retain the promised number of jobs; or (3) pays less in wages; than specified in an incentive agreement. It requires the IEDC to compile information on all recapture activities and incentives recouped from unfulfilled commitments and to include the information as part of the IEDC's annual Job Creation Incentives and Compliance Report.

The bill requires incentive recipients to prepare an annual compliance report on the number of jobs created or retained, employee pay, and various other information concerning the use of the incentives, and requires the IEDC to compile this information and include it in the IEDC's annual Job Creation Incentives and Compliance Report.

It repeals and replaces the definition of "job creation incentive" without change to maintain alphabetical order and makes technical corrections.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* Under this bill, the DOR must report the aggregate amount of uncollected or diverted state revenues resulting from each state tax incentive to the Indiana Economic Development Corporation (IEDC) each year. The DOR's current level of resources should be sufficient to provide this information.

*Indiana Economic Development Corporation:* This bill makes changes to the IEDC's Job Creation Incentives and Compliance Report, which is submitted annually to the Governor and the Legislative Council. Some of the required information must be provided by annual reports submitted by the recipients of the job creation incentives. The bill also requires the IEDC to report the aggregate amount of uncollected or diverted state tax revenue and report a summary of the information provided by the certified technology parks. The IEDC will likely incur additional expenses to comply with the new reporting requirements. Their current level of resources should be sufficient to satisfy the requirements of the bill.

**Explanation of State Revenues:** *Summary-* The bill expands the general job incentive recapture provision to include if the applicant: (1) fails to make the specified level of capital investment; (2) employs fewer individuals than specified in the agreement; or (3) pays less in wages than specified in the agreement. If a recipient fails to satisfy the conditions of the agreement, they must pay back the appropriate amounts. During CY 2013, the IEDC recaptured \$1.0 M in cash and \$1.8 M in forgone certified tax credits. Based on historical compliance information, their average recovery amount is approximately \$1.5 M a year. The actual revenue impact would depend on the number of recipients who violate the provisions of their incentive agreement, the amount of the incentive provided, and the remaining assets of the business.

**Additional Information** - Under current statute, the recipient of a job creation incentive must pay back the amount of the incentive they received if they move or close. However, there are different claw-back provisions for specific credits. It also allows the IEDC to hold a hearing if they find a recipient is employing fewer people than stated in the incentive agreement. The hearing may result in the recipient returning some or all of the incentive awarded.

The bill defines a job creation incentive as a tax credit, tax deduction, grant, loan, or loan guarantee provided by the state or an agency of the state for the purposes of encouraging the creation of new jobs. This applies to a variety of programs, including the Economic Development for a Growing Economy (EDGE) Tax Credit, Hoosier Business Investment Tax Credit, Skills Enhancement Fund, Business Development Loan Fund, and Industrial Development Project Guaranty Fund. The recapture provision applies to all job creation incentives, and if a recapture is initiated, the money would be returned to the appropriate fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Indiana Economic Development Corporation.

**Local Agencies Affected:**

**Information Sources:** IEDC, Economic Incentives and Compliance Report for the Reporting Period January 1, 2005 - December, 31 2013  
<https://transparency.iedc.in.gov/Additional%20Public%20Information/Economic%20Incentives%20and%20Compliance%20Report%20Period%20ending%20December%2031,%202013.pdf> accessed on September 21, 2014.

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